

+ CLARIFICATION FOR UNITARY INCOME TAX CORPORATE FILERS

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 |TO:| UNITARY FILERS AND  
 +----+ TAX PRACTITIONERS

This bulletin's purpose is to clarify some definitions and to advise you of the most common mistakes that are being made by unitary filers.

WHAT IS COMBINED APPORTIONMENT?

"Combined apportionment" is the method of determining the portion of a unitary group's total income that is subject to income tax by Illinois. Schedule UB, Combined Apportionment for Unitary Business Group, is used to figure the unitary group's combined business income to be apportioned to Illinois and to compute the apportionment factors. Members of unitary business groups can either each file separate Illinois returns (using combined apportionment) or can elect to file a single combined return.

- If SEPARATE RETURNS are filed, Illinois taxpayers that are members of the unitary business group must file separate Forms IL-1120 reflecting combined figures,

for each of the factors (property, payroll, or sales) is the amount from sources within Illinois, attributable solely to that separate member. The group should file only one Schedule UB, which must be attached to the return of the member who files earliest. Each separate filer must check the box for "separate returns" located in the upper right-hand corner of the IL-1120 and indicate which member filed Schedule UB.

- If an Illinois COMBINED RETURN is filed, corporations (other than S corporations) that are members of the same unitary business group have elected to be treated as one taxpayer. One Form IL-1120 is filed and should reflect the group's combined figures from the Schedule UB. The numerator for each of the factors (property, payroll, or sales) is the group's combined within Illinois. The designated agent is responsible for

Whether you elect to file separate IL-1120's for each Illinois taxpayer or to file a single IL-1120 (known as a "combined return" for Illinois purposes) for the group, only one Schedule UB is required.

WHAT IS A DESIGNATED AGENT?

A "designated agent" must be the common parent of the unitary business group if the parent is required to file an Illinois return. Otherwise, the members must select an Illinois taxpayer member as the designated agent. The designated agent, for all purposes other than making the election to file a combined return, is the sole agent for each member in the group authorized to act in its own name in all matters relating to the tax liability for the combined return year. The designated agent should remain the same in following years if possible.

WHAT ARE THE MOST COMMON MISTAKES MADE BY UNITARY BUSINESS GROUPS?

Common mistakes include  
 - inadvertently stating that an Illinois combined return was

with the exception of the numerators of their apportionment factors, from Schedule UB. The numerator

filing the group's IL-1120 with the Schedule UB attached. The box labeled "one combined return" located in the upper righthand corner of the IL-1120 must be checked.

being filed when, in fact, separate

Illinois returns were being filed.

These figures can be found on Schedule UB, Part III, Column E.

X. The corrected Schedule UB should be attached to the IL-1120-X of the member who originally attached it to his IL-1120.

- In order to help you avoid this mistake, we have added two distinct boxes to the 1990 IL-1120 -- one for you to check if you are filing "separate returns" or the other if you are electing to file "one combined return."

- failure to notify us when there has been a change in membership

If there has been a change in membership because of a sale or acquisition or because a company has changed its name or FEIN, a letter with an explanation should be attached to the return.

- not completing a corrected Schedule UB when a unitary group makes a change to an original filing

- submitting facsimiles of Schedule UB which do not contain the same information or are not outlined in the same format as the Department's schedule

- improper amending of nonunitary separate returns to unitary returns

Whether filing on a separate or combined basis, one corrected Schedule UB should be filed.

- attempting to change the filing method

For information about our requirements for form facsimiles, see our Informational Bulletin FY90-18, Requirements for Computer-generated Tax Forms.

If a group of corporations which originally filed as nonunitary wishes to make a change to use combined apportionment after the due date of its original filing, all Illinois filers of the group MUST file their own Forms IL-1120-X. A combined unitary filing is not acceptable. One Schedule UB should be completed and attached to the return of the member who files earliest.

Once an election to file a single combined return has been decided upon and the filing completed, it cannot be revoked for that year. If the group has filed a combined return and wants to change the election for the next year, they must advise us in writing. The deadline for this notification is the original due date and is unaffected by any filing extensions granted.

- filing more than one Schedule UB when filing separate Illinois returns

Only one Schedule UB should be prepared showing the combined apportionment for the unitary business group and attached to the return of the member who files earliest.

- improper amending of separate unitary returns

QUESTIONS?

If you have questions or need more information, please call or write us.

- improper completion of the IL-1120 by those filing separate Illinois returns

Beginning with tax years ending December 31, 1985, and after, Part I of the IL-1120 should show the group's combined income.

If a member of a unitary group that filed separate Illinois returns wishes to make a change after the due date of the original filing, that member, as well as each Illinois filer in the group, MUST file an IL-1120-

Our telephone numbers and address are listed at the bottom of this bulletin.

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FOR  
INFORMATION

CALL: 1 800 732-8866 or  
1 217 782-3336  
WRITE: Illinois Department of Revenue  
101 W. Jefferson St., P.O. Box 19044  
Springfield, IL 62794-9044

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